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## Errata

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To: Recipients of TR-1231-MCF, *Is Inclusionary Zoning Inclusionary? A Guide for Practitioners*

From: RAND Corporation Publications Department

Date: June 2012

Re: Corrected pages (pp. 14, 17, 19, and 27)

Readers are asked to take note of the following corrections that have been made to this document:

p. 14, lines 8, 37, and footnote 5: original references to 2007 have been changed to 2005–2009, making them consistent with Tables 2.2 and 2.3.

p. 17, line 9: original reference to 2007 has been changed to 2005–2009, making it consistent with Tables 2.2 and 2.3.

p. 19, third and fourth bullets: original references to 2007 have been changed to 2005–2009, making them consistent with Tables 2.2 and 2.3.

p. 27, twelfth line from bottom: original reference to 2007 has been changed to 2005–2009, making it consistent with Tables 2.2 and 2.3. In the eleventh line from the bottom, the original reference to 22 percent has been changed to read 16 percent.

Please note that none of these errors affect the findings or recommendations made in this report.

As expected, very few IZ homes (2.5 percent) were in *high-poverty* neighborhoods where 30 percent or more of the households were in poverty. This is notable since 17 percent of the block groups across the 11 jurisdictions were high-poverty neighborhoods. Half of the IZ homes in high-poverty neighborhoods were in Chicago, one-quarter were in Boulder, and the rest were spread across five other jurisdictions. Although the absolute number of IZ homes in high-poverty neighborhoods was small, their relative proportion was sometimes high in jurisdictions with small IZ programs. For example, in Denver, as many as 31 percent of the 77 IZ homes were located in high-poverty neighborhoods as of 2005–2009, while in Burlington and Boulder, 21 and 26 percent of the IZ units were in high-poverty block groups, respectively. The jurisdictions with IZ homes in high-poverty neighborhoods also had off-site provisions, meaning that IZ homes could be located in places separate from market-rate developments.

The typical IZ unit was located in a neighborhood where the vast majority of adults of working age were employed (94 percent), the majority of adults 25 years of age and older had a college degree, and more than half of the population was white (57 percent). Table 2.2 confirms that within all 11 jurisdictions, the household income and rates of college-educated households in the neighborhoods where IZ units were located exceeded national averages.<sup>5</sup>

The second row of Table 2.2 shows that in some locations, IZ units were clustered within a small number of neighborhoods (in cases where few developments had IZ units), while in other locations, IZ units were found in hundreds of neighborhoods. In the relatively new IZ programs in Denver, Irvine, and Chicago, IZ homes were located in less than 5 percent of neighborhoods, while in the majority of the programs, one-quarter to one-half of the neighborhoods housed at least one IZ unit.

Within the same jurisdiction, neighborhoods with IZ units tended not to differ systematically from neighborhoods with no IZ homes. As shown in Table 2.3, in seven of the jurisdictions, there is no statistically significant difference in the median household income for neighborhoods with and without IZ units. Median household income in IZ neighborhoods is lower in Fairfax County, Montgomery County, and Santa Monica relative to non-IZ neighborhoods. Only in Chicago are IZ neighborhoods more affluent (as measured by median household income) than non-IZ neighborhoods. In ten of the jurisdictions, residents of neighborhoods with one or more IZ homes tend to be more racially diverse than those in neighborhoods without IZ homes (although the differences between them are statistically significant in only four locations).

To test systematically whether IZ homes were placed in the less-advantaged neighborhoods within a given jurisdiction—a phenomenon that would lessen potential social inclusion—we performed statistical tests of whether the demographics of IZ neighborhoods systematically differed from those of non-IZ neighborhoods. We report the average values in median income, education level, and racial composition as of 2005–2009 in Table 2.3. Values that are statistically significantly different from one another are shown in boldface. In most instances, IZ neighborhoods did not differ from their non-IZ counterparts in terms of income, education levels, or race. However, there is evidence that the populations within IZ neighborhoods were less advantaged than those in non-IZ neighborhoods in Burlington, Fairfax County,

<sup>5</sup> As of 2005–2009, in the average neighborhood nationally, 92 percent of adults 16 and older were employed, and 25 percent of adults 25 and older had a college degree.

Montgomery County, and Santa Monica, since the median household income in IZ neighborhoods in these locations was lower than that in non-IZ neighborhoods. Chicago was the only city in which we found that IZ neighborhoods had *more* markers of advantage than non-IZ neighborhoods—an indication that new residential development within the city (of which IZ units were a small share) was typically marketed to attract new households with higher incomes.

Finally, the maps in Appendix C show what the statistics confirm: within many localities, IZ units are widely dispersed throughout the locality. They were located in one out of every ten census block groups in the 11 localities and one out of every five census tracts as of 2005–2009.

### Assignment of IZ Units to High-Performing Schools

Poverty rates within schools are highly correlated with the average performance of the schools' students. For example, in 2008–2009, more than one-half of fourth and eighth graders who attended high-poverty schools failed the national reading test, compared with fewer than one in five students from the same grade levels who attended low-poverty schools.<sup>6</sup> Given the strong correlation between school poverty and scores on standardized academic assessments, we present results for both as proxies for school quality. For this discussion, schools to which one or more IZ homes are residentially assigned is termed an “IZ school,” while those schools to which no IZ homes are assigned is a “non-IZ school.”

IZ units were residentially assigned to schools that had lower poverty rates and performed slightly above average within their state. They also had lower poverty rates than national norms. Across all 11 jurisdictions, the typical IZ unit was located within an elementary-school catchment area that had lower proportions of students who qualified for free or reduced-price meals than elementary schools with no residentially assigned IZ homes (44 versus 64 percent) in school years 2006–2010. This also compares favorably to the average elementary school nationally, where one out of every two students (49 percent) qualified over school years 2005–2006 to 2009–2010. Forty-four percent of IZ dwelling units are assigned to low-poverty schools, defined here as elementary schools where less than one in five students qualifies for free or reduced-price meals.

Figure 2.2 shows that the elementary-school poverty rates in IZ schools closely tracked those in non-IZ elementary schools within the same jurisdiction. This finding comports with the neighborhood demographic comparisons described above, which generally revealed parity among IZ and non-IZ neighborhoods. Nevertheless, there are differences within some of the 11 localities. In Santa Monica and Boulder, for example, IZ units were located in neighborhoods having schools with statistically significantly higher poverty rates. In Denver and Montgomery County, by contrast, IZ schools had slightly lower (but not statistically significantly different) poverty rates than non-IZ schools.

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<sup>6</sup> High-poverty schools are defined as those with 75 percent or higher concentrations of students who qualify for free or reduced-price meals. Fifty-five percent of fourth graders and 47 percent of eighth graders in high-poverty schools scored “below basic” on the National Assessment of Educational Progress in 2009, whereas 17 percent of fourth graders and 13 percent of eighth graders from schools at which less than 20 percent of students qualified for free or reduced-price meals scored “below basic” (Aud et al., 2010).

On average, IZ units were located in attendance zones of public schools performing in the third quintile, or the 40th to 60th percentile in their state. This was slightly better than the average performance of schools to which no IZ units were assigned; non-IZ schools performed at an average of the 20th to 40th percentile within their state. Again, we found substantial variation among the 11 localities. In Chicago, IZ elementary schools (like most non-IZ elementary schools) were in the bottom quartile of Illinois elementary schools. This is not surprising, since school poverty highly correlates with school performance, and the large majority of students in any given year in Chicago qualify for free or reduced-price meals (e.g., 85 percent of students in 2007–2008, compared with 38 percent in the average public school in the rest of the state). In Irvine and Davidson, both of which are affluent, the IZ schools were in the top quartile within their states. On the whole, however, IZ and non-IZ schools' rankings were quite similar.

## Summary

Although the 11 programs studied varied considerably in design, we found that, on the whole, the IZ homes

- *Serve low-income people.* Six of the programs exclusively serve households making 80 percent or less of the AMI, and three target households earning as little as 30 percent of the AMI for rental units. The other five reserve a portion of the IZ homes for households earning up to 100 or 120 percent of the AMI.
- *Predominately serve owners rather than renters.* Seventy-eight percent of the IZ homes in this study were for sale, and only one of the IZ programs exclusively operated a rental program. The vast majority of the for-sale homes were sold to low-income households that would otherwise qualify for federally subsidized rental housing on the basis of income.
- *Are widely dispersed throughout jurisdictions.* IZs were located in one out of every ten census block groups in the 11 localities and one out of every five census tracts as of 2005–2009. IZ units were also zoned into one out of every four schools across the 11 jurisdictions.
- *Are located in low-poverty neighborhoods.* The typical IZ unit is located in a census block group (or tract) where 7 percent of households lived in poverty as of 2005–2009. This is lower than the poverty rate in the typical U.S. census block group nationally in the same year (14 percent). Further, 75 percent of the IZ units in this study are located in a low-poverty census block group or tract compared with estimates ranging from 8 to 34 percent for other forms of affordable housing (Ellen et al., 2009; Newman and Schnare, 1997).
- *Are assigned to relatively low-poverty public schools.* The typical IZ unit is located within an elementary-school catchment area in which one out of every three students (34 percent) qualified for free or reduced-price meals compared with the average elementary school nationally, where one out of every two students (49 percent) qualified as of the 2006–2010 school years; 44 percent of IZ dwelling units are assigned to low-poverty schools, defined here as elementary schools where less than one in five students qualify for free or reduced-price meals.
- *Are assigned to schools performing slightly above average.* The typical IZ unit is located in an elementary-school catchment area that ranked at the 40th to 60th percentile on national tests in math and ELA among the elementary, middle, or high schools within the state.

## Conclusions

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This report provides criteria to consider when designing an IZ policy and an overview of the available evidence about IZ program efficacy. The strength of the local housing market and the way an IZ program is designed and carried out determine the degree to which the program provides affordable homes in a manner that could promote social inclusion. The variety seen in the structures of the 11 IZ programs in this study illustrates how different policy choices affect program success.

On the whole, the 11 IZ programs have largely fulfilled the goal of supplying some affordable housing to low-income populations, although the number of units is small. The programs have also supplied some of the ingredients required to fulfill the goal of promoting social inclusion. Across, but not necessarily within, each locality, the typical IZ home is located in a low-poverty neighborhood and assigned to a school that has performed slightly above average within its state and where fewer students qualify for free or reduced-price meals than schools nationally.

IZ programs locate a far greater proportion of IZ units in low-poverty neighborhoods than other affordable housing programs in the United States. But IZ programs are not directly comparable to programs such as public housing, LIHTC, or Housing Choice Vouchers, which tend to serve more-disadvantaged households. The primacy of ownership over rental units in most IZ programs and the minimum-income requirements in some ordinances mean that IZ households are among the less-disadvantaged households served by affordable housing programs.

While IZ programs serve relatively more-advantaged families than other subsidized housing programs, the degree of access IZ provides to low-poverty neighborhoods is still remarkable. The typical IZ unit in the jurisdictions we studied is located in a neighborhood where 7 percent of the population was in poverty as of 2005–2009, compared with 19.5 percent for housing-voucher recipients in 2004 (Galvez, 2011) and 16-percent neighborhood poverty rates for poor households generally within the same metropolitan areas. Seventy-five percent of the IZ units we examined were located in neighborhoods where less than 10 percent of the population is below the poverty line, compared with 34 percent of LIHTC units (Ellen et al., 2009) and 8 percent of public-housing and 28 percent of housing-voucher recipients (Newman and Schnare, 1997, from 1990 Census data).

The characteristics of most of the IZ programs indicate that IZ is not likely to primarily serve either households at the lowest income levels or those with extensive needs for support, for whom clustered affordable housing may be a more efficient means of disseminating social services. However, the IZ policies offer something that other economically integrative housing programs largely have not offered: to the extent that IZ includes long-term affordability